

TSKB 3Q25 FINANCIAL RESULTS WEBCAST TRANSCRIPT

Good evening, dear guests. Thank you all, for participating in our 3Q2025 Financial Results Conference Call & Webcast.

It is again a pleasure for me to explain the main drivers behind our well-performed quarterly results.

Our new cash loan disbursements supporting Turkish economy reached almost USD 1.5 bn in the first 9 months of the year, bringing our FX adjusted loan growth to 5.6% and fulfilling 75% of our disbursement target. Similar to the previous quarters, there has been no new NPL inflows during 3Q. Indeed, stage 2 and 3 loans ratios did not change quarter on quarter, where the total ratio corresponded to 8% of the loan portfolio. Besides, with 3.6%, TSKB continues to have one of the highest coverage ratios in the sector since 2019. Furthermore, there remains 1.3 billion TL of free provision stock in place following the reversal of 400 mn TL in first quarter and 350 mn TL in the third quarter.

We continue to strengthen our proven liquidity to support our growth strategy. Following approximately USD 400 mn of new DFI loan agreements in the first half of the year, we have issued USD 350 mn of Eurobond and rolled our syndication loan with 120% rollover ratio in 3Q. Moreover, we have recently signed a facility agreement amounting 300 mio Euros for the purposes of financing climate adaptation and resilience investments under IBRD's partial credit guarantee. MOTF has provided its counter guarantee for this loan which was realized with the participation of Standard Chartered Bank both as Facility Agent, BNP Paribas and ING Bank. Details of this first of its kind transaction will be shared in the funding slide.

Our already high and above sector NIM performance was maintained with keeping NIM at 5.7% quarter on quarter. This performance indicates an upside potential for our year-end guidance which was driven by our long term non-deposit funding base, least sensitivity to TL interest rates, as well as, strategically positioned investments in securities portfolio and loans via proactive A&L management.

The Bank continued to stand out by recording one of the highest ROEs in the sector. Adjusted with non-recurring revenue items realized in second quarter, we have delivered a cumulative ROE of 31.2% (otherwise calculated as 33.1%).

Quarterly growth in the commissions income driven by accelerating investment banking, advisory and non-cash business also supported our banking income in the 3Q.

And last but not the least, our comfortable solvency buffers enable us to stick to our growth strategy and meet our targets. Capital adequacy ratios which is supported by our internal capital generation capacity continues to stay well above regulatory and sector levels.

As we have just noted we have been gradually reversing our free provisions. If one does include the free provision stock, the ROE reads as 35%.

On the next slide you see the cumulative 9M-25 results versus the year-end guidances. We are glad to see that our realizations are quite in line with our projections with a positive deviation for NIM and asset quality.

Given a large and early redemption of a loan, our loan growth figure has been 5.6% year to date. Our proven liquidity, pipeline in place and ongoing loan disbursements ensure that we are likely to end the year above 10% which is parallel to our targets.

The strategic diverse focus and limited impact from regulations enabled TSKB to deliver a solid and differentiating NIM throughout the year. Besides, competition impact on FX loan front has been less than

we have projected and resulted in a more steady loan spread. Backed by our successful opportunistic management of asset and liabilities, our NIM stayed flat at 5.7% quarter on quarter.

The frontloaded portfolio reallocation as mentioned in the previous quarters and ongoing purchases, support our yields and boost our NII, partially offsetting the decline in the CPI linker gains. Also, our investments in FRNs will continue to be supportive in decreasing interest environment thanks to significant spread levels.

On the fee and commission side; we have seen increased activity during the quarter in each business lines. One IPO deal that was closed during the quarter as well as fees generated from advisory and non-cash business led to a quarterly 54% increase in the total fee income, improving cumulative year on year contraction to -27%. Corporate finance side is expected to be still muted during the last quarter. Therefore, we may likely to see a downside risk compared to our annual target as we stated in the previous quarter. As always, we like to highlight that we do not have any retail banking related channel, instead we are strategically providing our consultancy and advisory support to our stakeholders on a project basis to generate fee income. Furthermore, as we have announced in the previous quarter, we have realized our first TGF equity investment and we are working on new ones for further investments. In addition, our dedicated efforts on advisory business continues.

Our 31.2% cumulative ROE continued to be one of the highest ROEs in the industry. Year-to-date strong earnings performance is mainly driven by consistently solid NII generation and intact asset quality (collection performance). It was also supported by free provisions gradually released in the first and third quarter. Still, 1.3 bn TL free provision stock in place will support our stellar performance going forward. When we include its impact as well, the level would be 35%.

On the efficiency side, we have seen some slight ease down in the OPEX growth given the one-off expense of 75th celebrations in the previous quarter. Year on year cumulative growth as of third quarter is 55%. Eliminating the one-off 75th anniversary expenses, we expect to be almost in alignment with average CPI at the year-end. To note, our cost to income ratio is at 17%, still the lowest in the sector.

Consistent and robust profitability continued to support our solvency. With 20.5% CAR and 19.3% Tier 1 Ratio excluding BRSA's temporary measures, TSKB continues to sustain its superior position among sector, despite loan growth and TL depreciation in the first 9 months of the year. On a quarterly basis, the figures were slightly upwards as a proof of our sustained income generation. Our buffers are sufficiently comfortable to support Bank's growth projections regarding the potential legislative changes in line with international regulations.

Asset quality is still intact with no new inflows during the 3Q. The problematic loans (representing stage 2 and 3) to total loan book stayed flat at 8% vs the previous quarter, with unchanged NPL and stage 2 ratios. Worth to note, one of the loans in stage 2 was started to be monitored closely with a lifted coverage qoq. Overall, the net CoR excluding currency impact is still at the negative territory, in line with our expectations.

Following slide depicts the consistent qoq and yoy earnings performance of the Bank.

Posting 2.8 bn TL of quarterly income, TSKB reached a cumulative figure of 9.3 bn TL with 32% yoy pick up. Net income dropped by %17 vs previous quarter given the high-base effect. The graph at the top right shows the quarterly strong earnings performance when adjusted with the previous quarter's successful big ticket NPL collection considered as a one-off item. The bottom line generates a quarterly 10 percent of increase; when 2Q is adjusted with more than 1.1 bn TL of collection impact and 350 mn TL free provision reversal is eliminated.

To remind, 400 mn TL of free provisions were reversed during the first quarter previously. There was no change throughout the 2Q. Following third quarter's reversal of 350 mn TL, total outstanding free provision stock amounted to 1.3 billion TL to support our earnings performance going forward.

With the sustained earnings quality, the Bank delivered a cumulative ROE of 31.2%, which is adjusted for all non-recurring income items. Moreover, ROE reaches 33% when the total net income amount is taken into account and 35% when remaining free provisions are released totally. The trend is in alignment with our projections.

On the next page, I would like to go into more detail through P&L items and explain the main developments that enabled a strong quarterly performance.

Bank's NII including the swap costs continued to expand marking a surge of 26% yoy. Adjusting the one-off 330 mn TL from the previous quarter's NII points to a 5% qoq pick up; despite tripling swap costs.

To note, our swap book grew substantially and temporarily due to recently issued Eurobond. In time, it is to decrease gradually as the Eurobond funding is used; in other words, allocated to the loans fully which has already started.

Moreover, excluding CPI linker gains also implies a substantial yearly expansion of 51% in the NII. When one-off impact is eliminated in 2Q, the quarterly increase reaches 14%. The reasons behind the steadily robust topline growth are;

- Leveraged security investments in a timely and frontloaded manner has been fostering our yields and NII.
- We have still maintained our solid loan spreads.

Trading line was almost flat year on year. The quarterly decrease of 26% emanates from the extent of depreciation which has been lower in 3Q. To remind, we are not long in fx, and carry a position to hedge the 100% of fx loan provisions.

Banking income showed a yoy increase of 39%. Adjusting 2nd quarter one-offs, qoq increase was 10%.

Quarterly fees and commissions growth was 54% with more contribution from basically advisory and non-cash businesses. Yet, the cumulative year end performance is likely to be below our projections due to market conditions.

Quarterly other income includes 350 mn of free provision reversal whereas, the previous quarter's high base resulted from 1,3 bn TL NPL collection.

OPEX went up by 55% yoy and down by 10% on a quarterly basis. Quarterly contraction was driven by the one-off impact of 75th anniversary celebrations. Apparently, OPEX growth is likely to be stay above CPI for a while across the board but will gradually come down in time with the improvement in inflation.

Net banking income continues to expand by 37% yoy. Moreover, it is also up by 16% on a quarterly basis when we eliminate the one-off factors of 2nd quarter.

Provision costs are up by 193% yoy, and down by %52 qoq. Our profitability enables us to sustain our prudent stance. With 3.6% our coverage ratio is still among highest ones in the industry. This allows us for further risk reversal ceteris paribus.

Our income from participations continue to be a strong contributor to revenues. The yearly growth was 46%. On a quarterly basis, it contracted due to 2Q one-off revenues which mainly came from TSKB REIT revaluation gains.

As a result, TSKB posted a net income of 2.8 bn TL which is up by 32% on a yoy basis and down by 17% on qoq basis due to high base impact of the previous quarter. Once again, if we adjust one-off items of 2nd quarter, we calculate at least 25% of a pick-up in bottom line between two quarters. Our free provision stock will foster our earnings performance in the upcoming quarters, ceteris paribus.

Slide 6 is showing our well diversified, long-term funding structure supported by our robust fx liquidity.

DFI funding which is our main funding source accounts for 57% of our liabilities, where almost 80% of it is guaranteed by the Ministry of Treasury and Finance (MOTF). As of 3Q, we have USD 876 million worth of non-withdrawn DFI funding as a liquidity buffer. And, 100% of it was secured under the guarantee of MOTF. The themes of the non-withdrawn portion are climate & environment, inclusiveness and earthquake-related green recovery. As a quick note, the Guaranteed DFI funding ratio temporarily hovers at these levels. We expect the ratio to rise by the year-end taking into consideration the 100% guaranteed non-withdrawn stock amount and ongoing new engagements.

Our strong collaboration with DFIs and global FIs have been reflected to another new long term funding engagement which we have recently disclosed and mentioned in the beginning of our presentation. We signed 300 mio EUR Term Facility Agreement under IBRD partial guarantee for the purposes of financing climate adaptation and resilience investments with Standard Chartered Bank as Facility Agent and Lender, BNP Paribas, ING Bank IBRD's partial guarantee of the Facility Agreement is provided under the counter-guarantee of the MOTF. We have also signed a Project Agreement with IBRD on the same date for the implementation of the purposes of the loan. The adaptation financing for growth project is particularly important as it is the major climate resilience project of this scale to be implemented in Türkiye. The assessment tool we developed with TSKB's qualified human capital is a first of its kind. The tool not only identifies and measures climate-related risks but also provides tailored recommendations and actionable steps, enabling firms to make informed investment decisions that foster a sustainable and climate-resilient transformation. We believe this project will make a significant contribution to our sustainable future by bringing our experience and capacity in climate resilience to companies undergoing green transformation.

Our strong liquidity position is very well reflected by the FX LCR ratio which is around 597% as of the third quarter. Moreover, we still expect to sign new DFI agreements before the end of the year. This strong capacity will support our growth targets for the future.

As already indicated at last quarter's call; we have renewed our syndicated loan in 3Q with %120 rollover ratio and with the involvement of 16 banks from 11 different countries. To note, there were 3 newcomers in this deal, and for the first time we have launched a two-years tranche and successfully lengthen the tenor of our syndicated loan.

Slide 7 is on Bank's healthy growing asset composition.

Total assets, as of the third quarter, have reached over 305.5 billion TL with an increase of 6% compared to the second quarter and nearly 38% on a yearly basis. In line with our business model, assets mainly consist of loans with a share of 71%, while strategically managed securities constitute the next significant portion at 17%.

Consistent with our growth targets for 2025, total loans have expanded to nearly 218 billion TL, reflecting an FX-adjusted growth rate of 5.6%. To note, the large ticket NPL collection in the previous quarter, erased circa 1 percentage point from ytd total fx adjusted loan growth.

The currency breakdown of our loan portfolio is primarily in FX, accounting for 94%, with TL loans comprising just 6% of the portfolio. In terms of the currency composition of the loans, the preference of EUR denominated loans has continued this quarter, with their share reaching 50.9%.

When we look at the composition of our loan portfolio, as a development bank, investment loans constitute the largest portion, representing 80% of our loan portfolio. As such, we would like to kindly remind that, the Bank's loan growth targets were not adversely affected by the fx loan cap and some other relevant temporary regulations. This was also in relation to funding these investments with MOTF guaranteed DFI funds.

We will continue with the details of our loan book.

In the third quarter, we maintained our strategic focus and continued our development-oriented lending activities that support the Turkish economy. As highlighted at the beginning of our presentation, cash loan allocations reached USD 1.5 billion in the first nine months of the year, corresponding to 75% of our USD 2 billion year-end target. In line with our targets, SDG linked loans continued to account for 93% of the total loan portfolio; with the themes in the new loan disbursements standing out such as, reconstruction of earthquake affected regions, renewable energy projects including storage investments, enabling technology projects, energy efficiency, manufacturing capacity increasing investments. Besides, we continue to monitor our net zero pathway and performance temperature scores closely, 2025 has been a year of firsts. In the first quarter, we extended our first transition loan to a cement company and during the second quarter, our first project finance deal in agriculture benefiting from the geothermal energy was disbursed to enhance access to sustainable and safe food systems while promoting women's empowerment.

During the third quarter, consistent with our important role in financing Türkiye's renewable energy capacity, we signed two major renewable energy loan agreements as well as an energy resource area project amounting 30 mn USD with a blue-chip company:

- A 54.4 million EUR facility with Rönesans REH Enerji Hizmetleri A.Ş., a subsidiary of Rönesans Enerji A.Ş., to support renewable energy investments; and
- A 40 million USD loan agreement with Entek Elektrik Üretimi A.Ş. for the commissioning of a Wind Power Plant with Storage Project.

Accordingly, in the outstanding loan portfolio, electricity generation loans continue to hold the largest share in the outstanding loan portfolio at nearly 29%, with 95% of this amount allocated to renewable energy projects. Green and inclusive reconstruction of earthquake-affected regions, hybrid renewable energy projects, and distributed solar power plants are tracked under their respective sectors such as metal & machinery and chemicals & plastics.

Slide 9 elaborates on the TSKB's resilient asset quality.

The overall breakdown of the loans according to stages did not change compared to previous quarter.

During the quarter, there has been no inflow to NPL and maintained our stage 2+3 share in the total loan book as 8%.

We would like to emphasize again that all stage-2 and 3 loans in TSKB's portfolio are operational projects belonging to large corporates with their own peculiarities.

%88 of Stage 2 Loans and 91% percent of NPL are restructured.

In addition, thanks to our qualified human capital, we have the capacity to monitor these loans closely and to conduct periodic and adhoc analysis.

To note, we have slightly increased the coverage ratio of sizeable stage 2 loan which we have decided to monitor closely and cautiously. Apart from this loan, we may see positive developments in Stage 2+3 loan portfolio. With our prudent approach, total loan coverage ratio continued to stay at 3.6% as of 3rd quarter, which is still above peers. And, we have reversed 350 mio tl free provisions. Consequently, the bank's currency adjusted net Cost of Risk was recorded as -72 bps.

In brief, highlights of the quarter are;

- Keeping our intact asset quality with zero new inflows to NPL. We are aligned with our year-end NPL guidance.
- The share of Stage 2 plus Stage 3 Loans continued to be 8%.

- Maintaining sector high coverage ratios thanks to sustained profitability supporting our conservative approach.

For CoR, we keep the positive differentiation from the sector and also our guidance level.

On page 10, you can observe our security portfolio which is funded by our shareholders' equity in detail.

As of the third quarter, the share of total securities book corresponds to 17 percent of the total assets and the composition of the portfolio has not changed compared to previous quarter.

Share of TL securities in total portfolio remains to be above 50 percent, while size of the total securities portfolio surpassing 51 billion TL.

As a result of our strategic management, we have been gradually decreasing the share of CPI linked securities and investing in high yield fixed income notes as well as floating notes with higher spreads. This quarter we have replaced maturing securities with similar types, thus keeping the breakdown same. Mainly new purchases were fixed ones this quarter, amounting to more than 1 bn TL. We also bought 250 mn TL of short-term floating notes. As a result, CPI linkers account for 34%, other floating rate notes correspond to 26% of the total TL security portfolio.

The frontloaded portfolio reallocation as mentioned in the previous quarters and ongoing purchases, support our yields and boost our NII, partially offsetting the decline in the CPI linker gains. Also, our investments in FRNs will continue to be supportive in decreasing interest environment thanks to significant spread levels.

We expect our strategy to pay off in the last quarter of the year as well, supporting our NIM. In addition, there is also likely be a slight upside following the realization of October inflation which will probably be above our assumption.

In 3Q, we continued to maintain our superior NIM performance in the industry.

Bank's Core NIM continued to widen as an outcome of robust loan spreads, fx loan accruals and high collection performance as well as the contribution of securities portfolio investments with a strategic shift in the composition.

The Net Interest Income including swap costs was up by 16% year-on-year and almost flat quarter on quarter despite more than tripled swap costs and slight decrease in the CPI gains compared to previous quarter. Increase in the swap costs are attributable to increase in the swap book due the funds received from Eurobond issuance which will be disbursed as loans in the coming quarters. Therefore, this is a temporary situation.

NII excluding CPI and swap costs increased by 22% quarter on quarter. Therefore, Bank's core NIM picked up to 4.7%. To note, our previous projections had taken into a possible impact from accelerating competition at FX loan generation front. However, the impact has been negligible, so far. Besides, the CPI linkers impact edged down to 1.0%, as a result keeping the annualized NIM figure at 5.7% which is well above our guided figure. The downward move in the CPI gains is due to approximately 3 bn TL of CPI linkers that matured in the 2nd quarter.

Given our investment loans focus and MOTF guaranteed borrowing, we are nearly immune to regulatory changes and has not been affected materially which resulted in strong NII thanks to core business activity. Moreover, our strategic A&L management of securities also supports our NIM evolution.

As a result, our NIM indicates an upside potential versus our year-end guidance of 5%.

Next slide is on the Bank's solvency metrics which are beyond sector averages, reflecting comfortable buffers against quarterly market volatilities and potential regulatory changes.

While risk-weighted assets expanded given continuous loan growth and currency impact, the simultaneous increase in core equity supported the preservation of capital adequacy ratios. Key driver behind our superior solvency metrics is strong net profit generation.

As a reminder, the Bank holds TL 1.3 billion in free provisions, and when adjusted for this amount, both Tier-1 and total capital adequacy ratios would increase by an additional 40-50 basis points.

We expect to close the year pursuant to our growth targets keeping up with a clear focus on capital efficiency, risk-adjusted returns, and effective balance sheet management.

Last but not least, we would like to conclude our presentation with some highlights on sustainable banking.

As of 3Q-25, our climate and environment focused SDG linked loan disbursements have reached 1.4 billion USD, positioning us to achieve our 4 billion USD target for 2030. Climate and environment focused SDGs linked loans stands as 59% against a target of 60%. Furthermore, our SDG linked loan disbursement totaled 6.5 billion USD with a 2030 target of 10 billion USD. Our SDG-linked portfolio stands at 93% surpassing our target of 90%. We are also making a significant progress on our earthquake recovery efforts. Our earthquake recovery loan disbursements reached 558 million USD, which points to 93% realization of our 600 million USD target for 2026.

In August, we became a signatory to the Partnership for Carbon Accounting Financials (PCAF). We have been calculating, verifying, and reporting the emissions generated by our loan portfolio in line with PCAF guidelines since 2021, and this collaboration further strengthens our vision and reporting practices.

Recently, the BRSA has published the Green Asset Ratio Regulation, expecting the first reports by the end of October. As TSKB, we are finalizing our analysis and developing the GAR infrastructure within the Bank's system.

As the only financial institution from Türkiye participating in the UN Global Compact CoP Pilot Programme, we will submit our report by the end of this year and will also have the opportunity to contribute to improvements in the system with our feedbacks throughout and at the end of the reporting cycle.

Lastly, we have launched the Gender Equality Certificate Program, developed in collaboration with Galatasaray University Social Research Center and Yanındayız Association. The program is designed exclusively for TSKB employees and focuses on the technical, practical, and historical aspects of gender equality.

As always, we will continue to support the sustainable and inclusive development of Türkiye going forward, in alignment with national policies and newly implemented laws and regulations, with an integrated environmental and social approach.